



# County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN  
Chief Administrative Officer

September 24, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE BRATHWAITE BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

## STATE LEGISLATIVE UPDATE

### Court Decision on State Pension Bond

Yesterday a Superior Court judge in Sacramento issued a preliminary opinion blocking the State's sale of \$1.8 billion in bonds to finance its pension obligations. The judge ruled that the State Constitution prohibits borrowing more than \$300,000 over several years for routine spending without voter approval. The Howard Jarvis Taxpayers Association, which had filed the legal challenge, hailed the decision as a "victory for taxpayers." The Davis Administration has requested an expedited appeal. If allowed to stand, the decision would add almost \$2 billion to the deficit of \$7.9 billion projected for next year's State Budget. More significantly, it would call into question the legality of another \$10.7 billion in Fiscal Recovery Bonds which are also being legally challenged.

### Pursuit of County Position on Legislation

The State Legislative Update of September 22, 2003 reported the impact on the County of the workers' compensation reform package that was recently sent to the Governor. Two of those bills, **AB 227 (Vargas)** and **SB 228 (Alarcon)**, contain many of the County's reform priorities. According to CAO Risk Management, AB 227 and SB 228 will result in an initial County savings of \$22.2 million per year, and additional future savings of \$5 million annually.

**AB 227 (Vargas)** reforms many of the administrative aspects of the workers' compensation system and addresses the Board reform priority to repeal the current vocational rehabilitation program, and creation of a supplemental job displacement benefit for injuries arising on or after January 1, 2004, and an increase in the maximum fine for workers' compensation fraud from the current \$50,000 to 150,000. The overall reduction of rehabilitation and training costs to the County is estimated at 50% per year.

AB 227 also increases user fees on employers from 20% to 100% of the State costs for administering the workers' compensation program, and will result in a increase to the County of \$1.6 million. User fees for the County are approximately \$400,000 per year based on the State's current formula for charging employers 20% of the State's cost for administering the statewide workers' compensation program. The County's net annual savings from AB 227 is expected to approximate \$3.4 million, of which \$5 million is long-term savings from rehabilitation starting in 2005.

**SB 228 (Alarcon)** has a more direct beneficial impact upon the County and includes many of the Board's priorities such as establishing a medical fee schedule that reduces physician fees by 5%, and limits medical fees to 120% of Medicare rates. In addition, charges for prescription medicines are limited to 100% of MediCal rates. The bill caps chiropractic and physical therapy visits and expands the prohibition on physician referrals. In addition, SB 227 establishes utilization review standards, and allows the treating physician presumption of correctness to be rebutted. SB 228 also provides for the employer and a union to negotiate an alternate dispute resolution program for the processing of work-related injuries. SB 228 will result in County savings of approximately \$23.8 million per year.

Consistent with the Board's five-signature letter on workers' compensation reform sent to the County's Legislative Delegation on July 7, 2003, **our Sacramento advocates will request the Governor's signature on AB 227 and SB 228.**

#### **Status of County-Interest Legislation**

**County-supported AB 1683 (Pavley)**, which requires child day-care facilities to post copies of licensing reports, including reports from annual site visits and substantiated complaints against the facility, in a conspicuous place, in order to provide parents with information regarding the well-being of their children, was signed by the Governor on September 16, 2003. The bill becomes effective on January 1, 2004.

**County-supported AB 1716 (Human Services Committee)**, which provides for a one-time adjustment of base realignment funding for the caseload-driven portion of the Social Services Account, was signed by the Governor on September 20, 2003. This measure becomes effective on January 1, 2004.

We will continue to keep you advised.

DEJ:GK

MAL:JF:DdN:JR:EW:ib

c: Executive Officer, Board of Supervisors  
County Counsel  
Local 660  
All Department Heads  
Legislative Strategist  
Coalition of County Unions  
California Contract Cities Association